

## Message Text

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ACTION NEA-10

INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-07  
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01  
L-03 H-02 PA-02 PRS-01 CIAE-00 COME-00 FRB-01  
INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /113 W  
-----085319 071202Z /53

R 071052Z JUL 77

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 2695

INFO AMCONSUL LAHORE

AMCONSUL KARACHI

US MISSION GENEVA 970

UNCLAS ISLAMABAD 6950

GENEVA FOR USMTN

E.O. 11652: N/A

TAGS: ETRD, PK

SUBJ: PAKISTAN'S IMPORT POLICY FOR FY 78

REF: ISLAMABAD 6480

SUMMARY. THE GOP ANNOUNCED ITS IMPORT POLICY FOR FY 78 JUNE 30. IT RETAINS VIRTUALLY UNCHANGED FROM FY 77 THE THREE BASIC LISTS OF AUTHORIZED IMPORTS, MAKING SOME MINOR ADJUSTMENTS WITHIN THE "FREE LIST" CATEGORY. THESE FEW CHANGES SHOULD HAVE LITTLE OR NO IMPACT ON US-PAK TRADE. WHILE THE GOVERNMENT IS CLAIMING CREDIT FOR PRESERVING THE LIBERAL IMPORT POLIC OF THE PAST SEVERAL YEARS, REVENUE INSPIRED TARIFF INCREASES TEND TO HAVE SOME RESTRAINING IMPACT ON IMPORTS. END SUMMARY.

1. THE GOP COMMERCE SECRETARY JUNE 30 ANNOUNCED PAKISTAN'S IMPORT POLICY FOR FY 78. IT IS VIRTUALLY UNCHANGED FROM FY 1977. AS IN THE PAST, PAKISTAN CONTINUES TO UNCLASSIFIED

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MAINTAIN THREE BASIC IMPORT LISTS. THE FREE LIST, WITH SPECIAL CATEGORIES FOR ITEMS IMPORTABLE BY INDUSTRIAL USERS, COMMERCIAL USERS, AND GOVERNMENT AGENCIES/RETAINS THE SAME/411 ITEMS AS LAST YEAR. WITHIN THIS LIST, THE IMPORT OF TALLOW HAS BEEN EXTENDED TO COMMERCIAL AS WELL AS INDUSTRIAL USERS, ALLOWANCE FOR SPARE PARTS IMPORTS HAS BEEN DOUBLED FROM RS. 25,000 TO RS. 50,000, (DOLS2500-5000), AND PERSMISSION

TO IMPORT MACHINERY FOR BALANCING AND MODERNIZATION HAS BEEN EXTENDED TO THE ENTIRE EEXTILE INDUSTRY RATHER THAN JUST THE COTTON INDUSTRY. ON THE OTHER HAND, TEXTILE MANUFACTURERS HAVE HAD THEIR ALLOCATION OF IMPORTED SYNTHETIC YARN CUT TO ENCOURAGE THE LOCAL PRODUCTION OF SYNTHETIC YARN FROM IMPORTED FIBERS. THE TIED LIST, CONTAINING ITEMS WHICH MUST BE IMPORTED UNDER TIED AID OR BARTER AGREEMENTS, REMAINS UNCHANGED. LIKEWISE, THERE HAVE BEEN NO ADDITIONS TO OR REMOVALS FROM THE LIST OF BANNED IMPORTS.

2. THE GOVERNMENT HAS CLAIMED CREDIT FOR CONTINUING THE TREND TOWARDS IMPORT LIBERALIZATION OF THE PAST SEVERAL YEARS. THIS IS A NOTABLE ACCOMPLISHMENT CONSIDERING PAKISTAN'S HEAVY TRADE DEFICIT. HOWEVER, THE IMPORT POLICY IS ONLY ONE PRONG OF THE GOVERNMENT'S APPROACH TO IMPORTS. TARIFF INCREASES OF 10 PERCENT IN FY 77 AND 20 PERCENT IN FY 78 (SEE REFTTEL), WHILE INSPIRED BY THE NEED TO RAISE REVENUES, HAVE OF COURSE ALSO HAD SOME RESTRAINING EFFECT. THE SAME IS TRUE OF THE SELECTIVE INCREASE IN THE STATE BANK MARGIN REQUIREMENTS FOR LETTERS OF CREDIT ON IMPORTS.

3. ALL IN ALL, WE EXPECT THE NEW IMPORT POLICY TO HAVE LITTLE OR NO IMPACT ON US-PAK TRADE. BUSINESSMEN SEEM TO HAVE BEEN PLEASANTLY SURPRISED BY THE FEW CHANGES,  
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PARTICULARLY SINCE THEY WERE EXPECTING A MORE RESTRICTIVE POLICY. THIS MESSAGE INCLUDES CONTRIBUTIONS FROM KARACHI AND LAHORE.  
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## Message Attributes

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**Review Markings:**  
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